

# THE JACOBS REPORT

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## **BOLD GRANHOLM AGENDA MOVES MICHIGAN “INTO THE NOW”**

### **Plan in Hands of Legislature**

In her third State of the State address, Governor Jennifer Granholm urged Republicans to “move with me” as she unveiled a plan to diversify Michigan’s economy through multi-billion-dollar high-tech and infrastructure bonding projects that are designed to create around 100,000 jobs over the next 10 years. The governor’s goal is to put people to work now—making Michigan a better place to live and do business. It’s a plan that will make Michigan a world center of research and home to the high-wage industries and jobs which that research will generate.

And, it’s a plan that will make sure the people of Michigan—both children in school and adults in the workforce—have the skills they need to take those jobs and build strong families and live great lives here in Michigan.

During her hour-long speech, the governor asked Michigan’s citizens to understand and accept that a high school degree isn’t going to qualify them for the jobs she’s trying to bring into the state—jobs Michigan’s economy desperately needs.

On the heels of Granholm’s unveiling of the Michigan Jobs and Investment Act, the most sweeping change of Michigan’s business tax structure in three decades, she rolled out a revamped MEAP Scholarship that will provide \$4,000 for high school grads looking to continue their education at colleges, universities, and/or trade schools. She also called for tuition amnesty for people who want to use old college credits they earned from a time long ago, saying that colleges should accept them for the next three years.

The overall goal is to make Michigan more competitive by retaining and retooling jobs today and attracting jobs for tomorrow.

Other than a few side notes that included a request for executive power to consolidate school districts, Granholm’s speech was predominantly focused on encouraging Republicans “to stand with me” on plans to move Michigan’s economy in the future. After demonstrating plans to “fast-forward” \$800 million in state infrastructure projects, Granholm said, “I challenge you, in this Legislature, to move this initiative as if your job depends on it.”

By the end of her speech, her pleas for bi-partisan cooperation resonated heavily when she reminded the chamber that six years from now, none of the public officials in that room (outside of the judges) would still be serving in the capacity they serve now.

Even House Speaker Craig DeRoche (R-Novi)—and a good number of his House colleagues—joined the Democrats with a standing ovation when Granholm said, “We must throw off the ease and the habit of partisan division and have the courage to stand on common ground.”

She continued: “Our time is short. So how will we have left this state? Will we have pretended that Michigan’s place in the economy is unchanged and have hidden from the serious work I have proposed tonight? Or will we courageously take on this incredible opportunity to transform Michigan into the state we know she is and hope she can be?”

“If we don’t act, we risk falling behind,” said state Senator Gilda Z. Jacobs. “Our focus is moving Michigan’s economy into the now. Under the governor’s plan, we can move forward without looking back.”

### **Highlights of the State of the State**

- ✓ \$2 billion general obligation bond, requiring voter approval, for research investment;
- ✓ \$1 billion in faster use of existing bonds for public works and other projects;
- ✓ Bigger Merit scholarships awarded after two years of postsecondary enrollment rather than at high school graduation;
- ✓ Credit amnesty where universities accept old course credits by re-enrolling adults;
- ✓ Authority to consolidate schools that do not share services;
- ✓ Job partnership program with fast track training focused on health care and skilled trades;
- ✓ Support to increase the minimum wage to \$7.15 an hour.

### **NEW BUDGET: TAX SHIFTS AND LOTS OF CUTS**

Two days after her State of the State address, Governor Jennifer Granholm presented her third executive budget proposal to the Legislature and solved a \$773 million budget gap through a mix of both spending reductions and the closing or elimination of so-called tax expenditures.

The overall budget totals \$41.2 billion and includes \$8.9 billion in general fund spending, \$11.4 billion from the School Aid Fund, \$1.1 billion in revenue sharing payments to local governments, \$3.4 billion for transportation needs, and recognizes \$12.6 billion in federal revenues.

“I am proud to say that in the face of fiscal challenge, we continue to protect the citizens' priorities while streamlining state government,” said Granholm. “This budget increases funding for public education, includes initiatives that will create high-paying jobs now and in the future, maintains critical funding for health care services, and provides more money for colleges and universities to repair deteriorating buildings on campuses - all without raising general taxes.”

In dealing with the \$773 million budget hole, Granholm opted to solve \$389.6 million through actual spending reductions. Citing Lansing’s new budget bible, *The Price of Government*, Granholm also looked to so-called tax expenditures, or credits and or deductions for part of the budget gap solution.

“Over 80 percent of general fund spending is concentrated in four areas: Higher Education, Community Health, Corrections, and the Family Independence Agency,” said Budget Director Mary Lannoye. “Likewise, over 80 percent of the spending reductions are concentrated in those four areas.”

In total, the Governor raises \$112 million by closing nine tax expenditures. Those tax expenditures include:

- the reduced oil and gas severance tax rate for marginal wells;
- the use tax exemption for international and toll-free telephone calls;
- the sales and use tax exemption for interstate motor carriers;
- the personal property tax exemption for the lease of water softeners;
- the exemption of railroads from the utility property tax;
- the sales and use tax exemption for copyrighted motion pictures purchased or leased by movie theaters for public viewing;
- the deduction of oil and gas income from the personal income tax;
- the sales tax exemption for soft drinks and food sold from vending machines; and
- the sales tax exemption for sales in prison stores.

In the area of fees, the budget is calling for \$27.4 million in fee increases. Those fee increases include:

- Liquor license fees raising \$23 million (\$13 million general fund) to support the Liquor Control Commission entirely with fee proceeds.
- Increase the Wetlands Protection and Inland Lakes and Streams fees by \$1 million each.
- Increase inspection and licensing fees on captive cervidae farms by \$560,000.
- Increase the fire and safety fees paid by hospitals, penal institutions and nursing homes by \$1.8 million.

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All Michigan legislation can be tracked at <http://www.legislature.michigan.gov/>.

State Senator Gilda Jacobs represents the 14<sup>th</sup> Senate District, which includes Beverly Hills, Bingham Farms, Farmington, Farmington Hills, Ferndale, Franklin, Hazel Park, Huntington Woods, Lathrup Village, Oak Park, Pleasant Ridge, Royal Oak Township, Southfield, and Southfield Township. She is the Minority Vice Chair of the Families & Human Services Committee and the Economic Development, Small Business & Regulatory Reform Committee. She also serves on the Government Operations and Health Policy Committees.

**Constituents of the 14<sup>th</sup> District may contact Senator Jacobs at [sengjacobs@senate.michigan.gov](mailto:sengjacobs@senate.michigan.gov) or toll-free at 1-888-937-4453.**

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